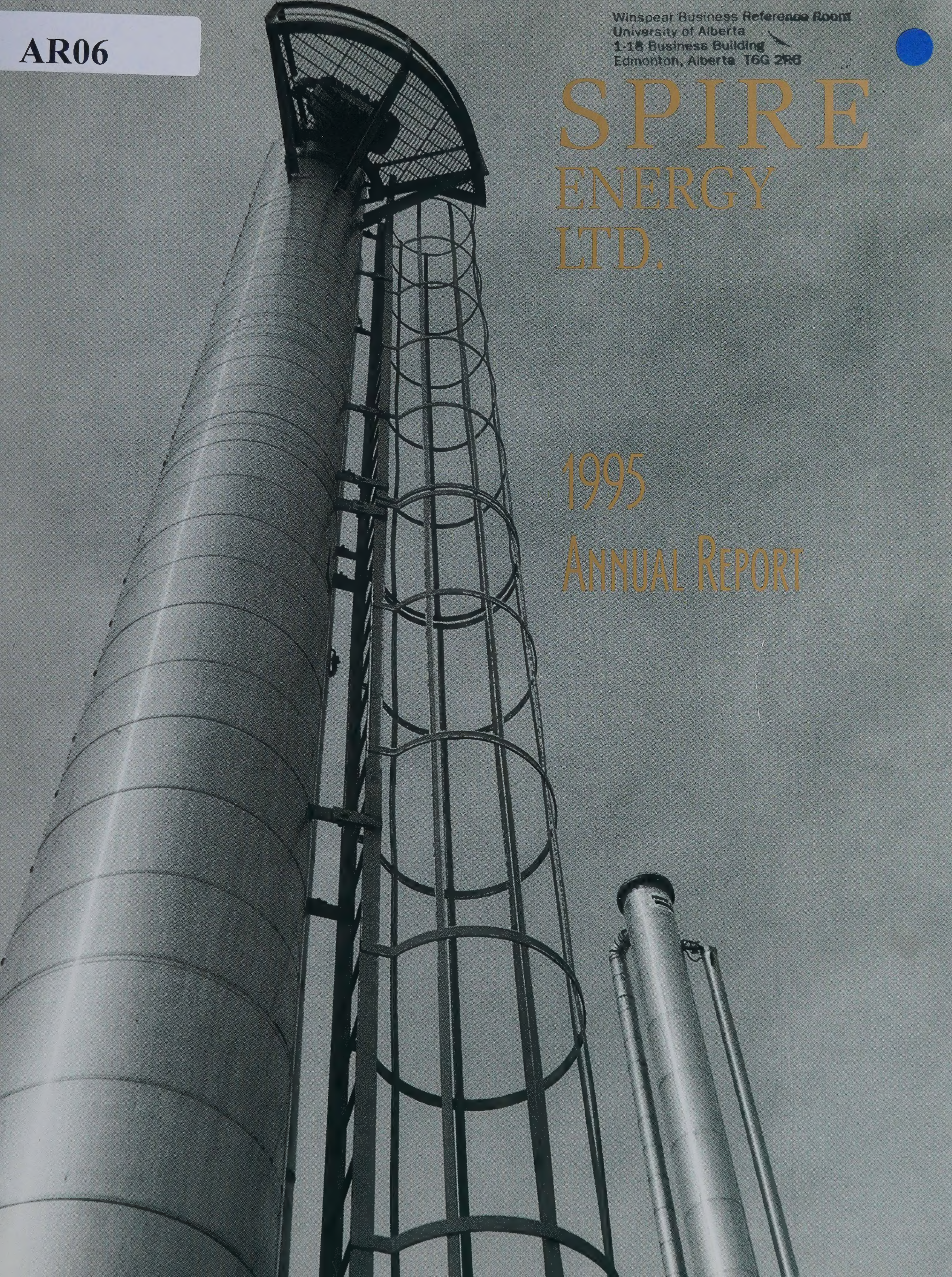
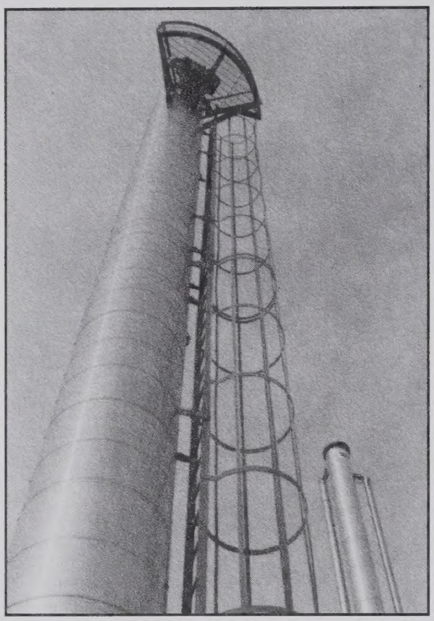
SPIRE ENERGY LTD.

1995 Annual Report



CORPORATE PROFILE



Photograph of amine contactor at the Spire operated Abee Gas Plant

Spire Energy Ltd. is a junior resource company engaged in oil and gas exploration and production in Western Canada. Spire commenced operations in September, 1993, and went public in December of the same year as a Junior Capital Pool Corporation. Spire shares are traded on the Alberta Stock Exchange under the symbol SEY.

In just two and a half years, Spire has progressed from a standing start to a company that produces over nine million cubic feet per day of natural gas, owns and operates three gas plants, and has field operations in two core areas.

Spire has implemented a growth strategy designed to manage risk. In the early stages, the Company focused exclusively on acquiring producing oil and gas properties and optimizing the acquired assets through low risk development drilling. In 1995, Spire embarked on its first exploration prospect to increase its reserve base. The Company intends to drill one or two select exploration wells in 1996, but concentrate on the acquisition and exploitation formula that has been the backbone of the Company.

Spire is positioned to control the variables that impact profitability. Spire is focused geographically, operates essentially all of its production, owns processing facilities, and works in areas where hydrocarbons are found at shallow drilling depths. The Company believes that these operational elements, combined with a diverse marketing strategy, are key factors for achieving profitability in a competitive industry.

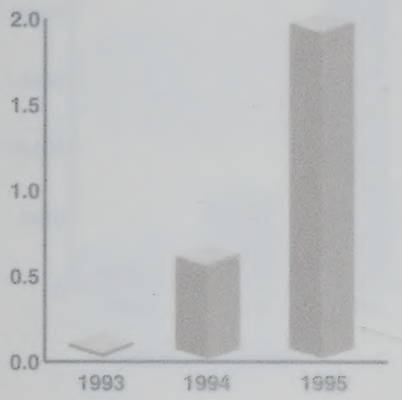
The Annual General Meeting
for shareholders of
Spire Energy Ltd. will be held on May 29, 1996 at 10:00 AM.
in the law offices of

Burnet, Duckworth & Palmer
Suite 1400,
First Canadian Centre
350 – 7th Avenue S.W.
Calgary, Alberta

The following standard oil and gas abbreviations have been used throughout this report:

MCF	Thousand Cubic Feet
MMCF	Million Cubic Feet
BCF	Billion Cubic Feet
MCFD	Thousand Cubic Feet per Day
MMCFD	Million Cubic Feet per Day
BOE	Barrel of Oil Equivalent

HIGHLIGHTS



Gas Production (MMCFD)

Financial *rounded*	1995	1994
Total Revenue	$ 898,000	$ 220,000
Funds Flow (Loss) From Operations	277,000	(6,000)
Funds Flow Per Share	0.04	0.00
Net Loss	51,000	154,000
Net Loss Per Share	0.01	0.04
Capital Expenditures	2,132,000	2,568,000
Total Assets	4,585,000	2,669,000
Long Term Debt	$ 287,000	$ 1,149,000
Common Shares Outstanding		
Average	6,993,000	4,154,000
At Year End	7,912,500	6,600,000
Operating		
Production *before royalties*		
Natural Gas (MMCF)	717	195
Average Daily Production (MCFD)	1,963	535
Average Gas Price ($/MCF)	1.48	1.70
Reserves		
Natural Gas (MMCF) *before royalties*		
Proven	11,131	5,025
Probable	2,945	702
Total Reserves on a BOE basis (MSTB)	1,410	570
Land		
Undeveloped Land *net acres*	5,747	1,296

Pipeline Header at Abee, Alberta

Corporate Profile

Photograph of amine contactor at the Spire operated Aboe Gas Plant

Spire Energy Ltd. is a junior resource company engaged in oil and gas exploration and production in Western Canada. Spire commenced operations in September, 1993, and went public in December of the same year as a Junior Capital Pool Corporation. Spire shares are traded on the Alberta Stock Exchange under the symbol SEY.

In just two and a half years, Spire has progressed from a standing start to a company that produces over nine million cubic feet per day of natural gas, owns and operates three gas plants, and has field operations in two core areas.

Spire has implemented a growth strategy designed to manage risk. In the early stages, the Company focused exclusively on acquiring producing oil and gas properties and optimizing the acquired assets through low risk development drilling. In 1995, Spire embarked on its first exploration prospect to increase its reserve base. The Company intends to drill one or two select exploration wells in 1996, but concentrate on the acquisition and exploitation formula that has been the backbone of the Company.

Spire is positioned to control the variables that impact profitability. Spire is focused geographically, operates essentially all of its production, owns processing facilities, and works in areas where hydrocarbons are found at shallow drilling depths. The Company believes that these operational elements, combined with a diverse marketing strategy, are key factors for achieving profitability in a competitive industry.

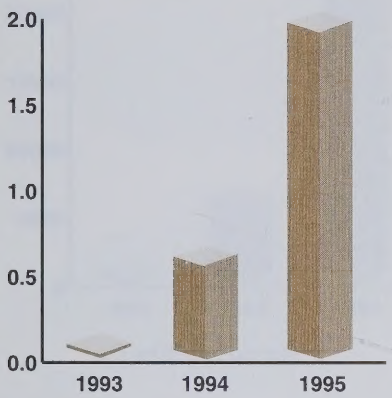
The Annual General Meeting
of shareholders of
Spire Energy Ltd. will be held on May 29,
[illegible]
[illegible] offices of

[illegible] Duckworth & Palmer
[illegible]
[illegible] Centre
[illegible] Avenue S.W.
[illegible]

The following standard oil and gas abbreviations have been used throughout this report:

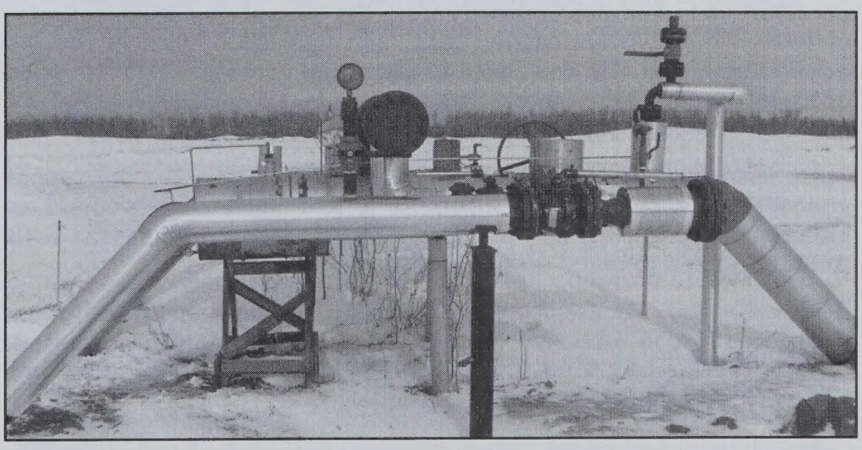
MCF	Thousand Cubic Feet
MMCF	Million Cubic Feet
BCF	Billion Cubic Feet
MCFD	Thousand Cubic Feet per Day
MMCFD	Million Cubic Feet per Day
BOE	Barrel of Oil Equivalent

Highlights



Gas Production (MMCFD)

Financial *rounded*	1995	1994
Total Revenue	$ 898,000	$ 220,000
Funds Flow (Loss) From Operations	277,000	(6,000)
Funds Flow Per Share	0.04	0.00
Net Loss	51,000	154,000
Net Loss Per Share	0.01	0.04
Capital Expenditures	2,132,000	2,568,000
Total Assets	4,585,000	2,669,000
Long Term Debt	$ 287,000	$ 1,149,000
Common Shares Outstanding		
Average	6,993,000	4,154,000
At Year End	7,912,500	6,600,000
Operating		
Production *before royalties*		
Natural Gas (MMCF)	717	195
Average Daily Production (MCFD)	1,963	535
Average Gas Price ($/MCF)	1.48	1.70
Reserves		
Natural Gas (MMCF) *before royalties*		
Proven	11,131	5,025
Probable	2,945	702
Total Reserves on a BOE basis (MSTB)	1,410	570
Land		
Undeveloped Land *net acres*	5,747	1,296



Pipeline Header at Abee, Alberta

President's Message

On behalf of the Board of Directors, I am pleased to present the annual report to shareholders for the year ended December 31, 1995.

Highlights

1995 was an outstanding year for Spire Energy. Spire drilled 7 wells during the year that resulted in 7 gas wells for a 100% success rate. Spire also closed a strategic acquisition at Abee, acquiring our largest partner in this core property. This purchase doubled our land position in the area and allowed Spire to take over operatorship of the Abee Gas Plant. The Abee Plant became Spire's second company-operated gas processing facility.

Spire's natural gas production escalated to 2.0 MMCFD in 1995, up 270% from 0.5 MMCFD in 1994. Spire exited 1995 at a production rate of 2.7 MMCFD, nearly double the 1994 exit rate of 1.4 MMCFD. Assuming operatorship of the Abee assets increased Spire's portion of operated production to 98% from 52% a year ago, consistent with the company's philosophy of operating its own wells and facilities.

Spire drilled its first exploration well in 1995. A successful discovery at Benton mid-year set the stage for two development wells in December that positively impacted Spire's natural gas reserve base. This exploration venture propelled the Company to new heights in the first quarter of 1996. Spire completed the construction of a gas processing plant at Benton in March, 1996, that allowed the Company to bring the new wells on stream, increasing Spire's natural gas production to a record level of 9.0 MMCFD.

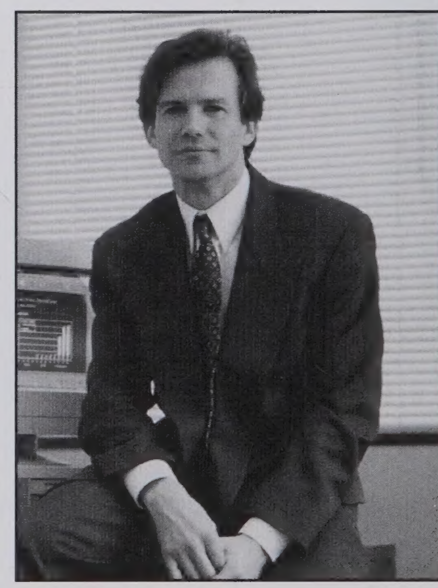
Spire's successful drilling and acquisition program resulted in substantial reserve growth. In 1995, Spire replaced production by 950%, and more than doubled its natural gas reserves to 14 BCF. Spire reported finding and onstream costs of $0.43/MCF this year, among the lowest in the industry.

Spire quadrupled its land position in 1995 to more than 20,000 net acres at year end, of which 5,747 net acres are undeveloped, and increased the average working interest in its land holdings from 27% to more than 60%.

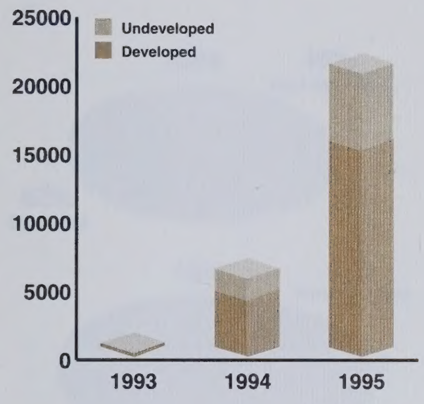
On the marketing side, Spire's fixed-price contract at Abee of $2.14 per MCF insulated the Company from the commodity price collapse of 1995. This contract carried Spire through the bottom of the gas price slump, and allowed Spire to obtain an average wellhead price of $1.48 per MCF. This marketing arrangement contributed to Spire's positive cash flow of $277,000 in 1995.

Spire increased its staff level in late 1995 to handle the additional workload. Mr. Dave Mombourquette joined Spire in November as Manager, Engineering, and Ms. Chris McGill joined us to assist with production and revenue accounting in December.

A new director, Mr. Geoffrey A. Cumming, was appointed to Spire's Board in 1995, to represent the interest of Garbell Holdings Limited. Garbell invested $1.6 million of capital in Spire in December, and became Spire's second major shareholder.



Gerry R. Bartman, President & C.E.O.



Land (net acres)

CORPORATE AND FINANCIAL

Spire completed two equity financings in 1995 for total gross proceeds of $2.15 million.

Spire closed a private placement on February 28, 1995, whereby the Corporation issued 375,000 common shares on a flow-through basis at a price of $0.40 per share for gross proceeds of $150,000.

A second private placement was closed December 1, 1995, for gross proceeds of $2,000,000. In this transaction, Spire issued 937,500 common shares on a flow-through basis at a price of $0.60 per share for gross proceeds of $562,500, and 1,437,500 first preferred shares, "Series A", at a price of $1.00 per share for gross proceeds of $1,437,500. As part of the transaction, Spire also issued 1,250,000 share purchase warrants, each warrant entitling the holder to purchase one common share of Spire on a flow-through basis at a price of $0.70 per share on or before December 1, 1997. The terms of the financing are detailed in notes 4(a) and 4(b) to the financial statements.

The flow through portion of the deal was structured such that Spire must renounce development expenses only, and is not required to renounce exploration expenses which are 100% tax deductible to the Corporation.

This $2.0 million financing was placed with two investors. Garbell Holdings Limited invested $1.6 million and Humboldt Capital Corporation subscribed for the remaining $0.4 million.

Spire realized net proceeds of $1.8 million from these two financings. Spire used $700,000 of the funds to complete the major acquisition at Abee and $659,000 to retire its indebtedness to Humboldt Capital Corporation. The remaining funds were added to working capital.

At December 31, 1995, Spire had 7,912,500 common shares and 1,437,500 first preferred shares, "Series A", issued and outstanding.

Three events occurred subsequent to the 1995 year end that caused the Corporation to issue additional common shares:

- Yorkton Securities Inc. exercised its option to acquire 300,000 common shares at a price of $0.40 per share on January 26, 1996, for proceeds of $120,000.
- On February 15, 1996, 1,980,000 share purchase warrants were exercised to purchase 990,000 common shares at a price of $0.50 per share, for proceeds of $495,000.
- On March 5, 1996, Spire issued a notice to the holders of first preferred shares "Series A", that the Corporation intended to redeem all of the outstanding preferred shares on March 26, 1996. On March 26, 1996, the holders of the preferred shares exercised their conversion privilege, and all outstanding preferred shares were converted to 3,194,445 common shares of the Corporation.

The conversion of the preferred shares was the most significant event, eliminating the preferred share liability and simplifying Spire's share structure. Subsequent to the events noted above, Spire currently has 12.4 million common shares issued and outstanding.

Outlook

Spire is positioned for growth. At the time of this writing, Spire's production is 9 MMCFD of natural gas and the Company is striving to exit 1996 at 15 MMCFD. Production rates of this magnitude could generate significant cash flow for reinvestment in new projects. Spire's challenge is to continue to grow as an efficient, low cost producer and be poised to capitalize on the gas markets when natural gas prices move upwards.

We experienced an exceptionally cold winter in North America in 1995-96 that intensified the demand for natural gas and exhausted gas storage levels. Although natural gas prices are expected to improve somewhat in the short term as gas storage is replenished, it is expected that prices will recover gradually until additional export capacity is available to deliver gas to American markets. Spire is committed to a marketing strategy that will diversify its portfolio, and will continue using a mix of long and short term contracts tied to different indices to manage risk and maintain profitability.

Tax planning is another priority for Spire. We expect that earnings in 1996 could increase to the point where additional tax pools may be necessary to shelter income. The Company is currently considering appropriate tax strategies.

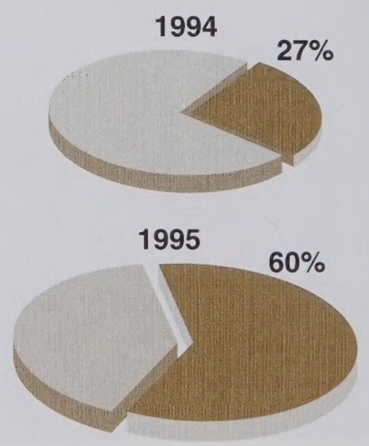
Spire intends to add two key personnel in 1996. A geologist, to intensify our effort to expand our reserve base, and on the financial side, a controller, to ensure that Spire's cash flow is managed prudently.

Spire's primary focus will continue to be acquisitions and development drilling, the strategy responsible for the Company's success to date. However, the magnitude of the deals will increase. Spire intends to close a major acquisition in 1996 that will provide further drilling opportunities and provide growth into 1997 and beyond. A corporate acquisition, with tax benefits for Spire, that complements the operations in one of our core areas would be ideal.

In closing, I would like to recognize Humboldt Capital Corporation for their continued support and look forward to our relationship with Garbell Holdings Limited. I also acknowledge the contribution of the Board of Directors, and welcome our new Director, Mr. Geoffrey A. Cumming to Spire's Board. I look forward to an exciting year at Spire, and thank our staff, both in Calgary and the field for their steadfast commitment to making Spire a success.

On behalf of the Board of Directors,

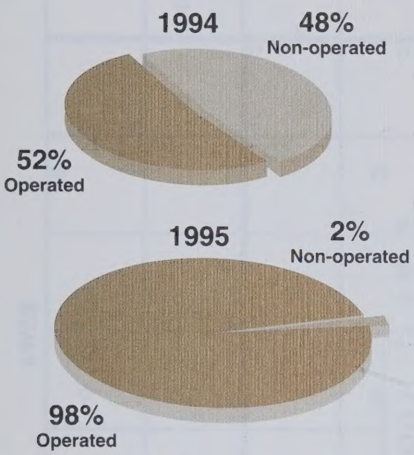
Gerry R. Bartman
President and Chief Executive Officer
April 16, 1996.



Average Working Interest, Land (%)

Review of Operations

Oyen



Production

Spire's Oyen property is located approximately 10 miles north of the town of Oyen, Alberta, and spans Townships 28 and 29, Ranges 3 to 6, West of the Fourth Meridian.

Spire ventured into Oyen a little more than a year ago, acquiring a 65% average working interest in 2,560 gross acres of land, two gas wells producing 700 MCFD (net), and a 100% working interest in a gas plant capable of handling 4 MMCFD of raw gas. At the time of this writing, Spire's land holdings in Oyen have grown to average 73% in 16,800 gross acres, production has increased tenfold to 7,000 MCFD (net), and Spire owns a 100% working interest in two gas processing facilities and a 7% interest in a third plant. Spire has rapidly become one of the most active companies in the Oyen area.

Acquisitions

Spire closed a number of small acquisitions at Oyen in 1995 that complement our existing assets.

In April, Spire purchased four sections of land to the north of our Oyen compression facility at 8-4-29-5W4M. Specifically, Spire acquired a 100% working interest in Sections 16, 17, 20, and 21-29-5W4M. Spire shot four miles of seismic over this acreage in 1995 and plans to drill two wells on the lands in 1996.

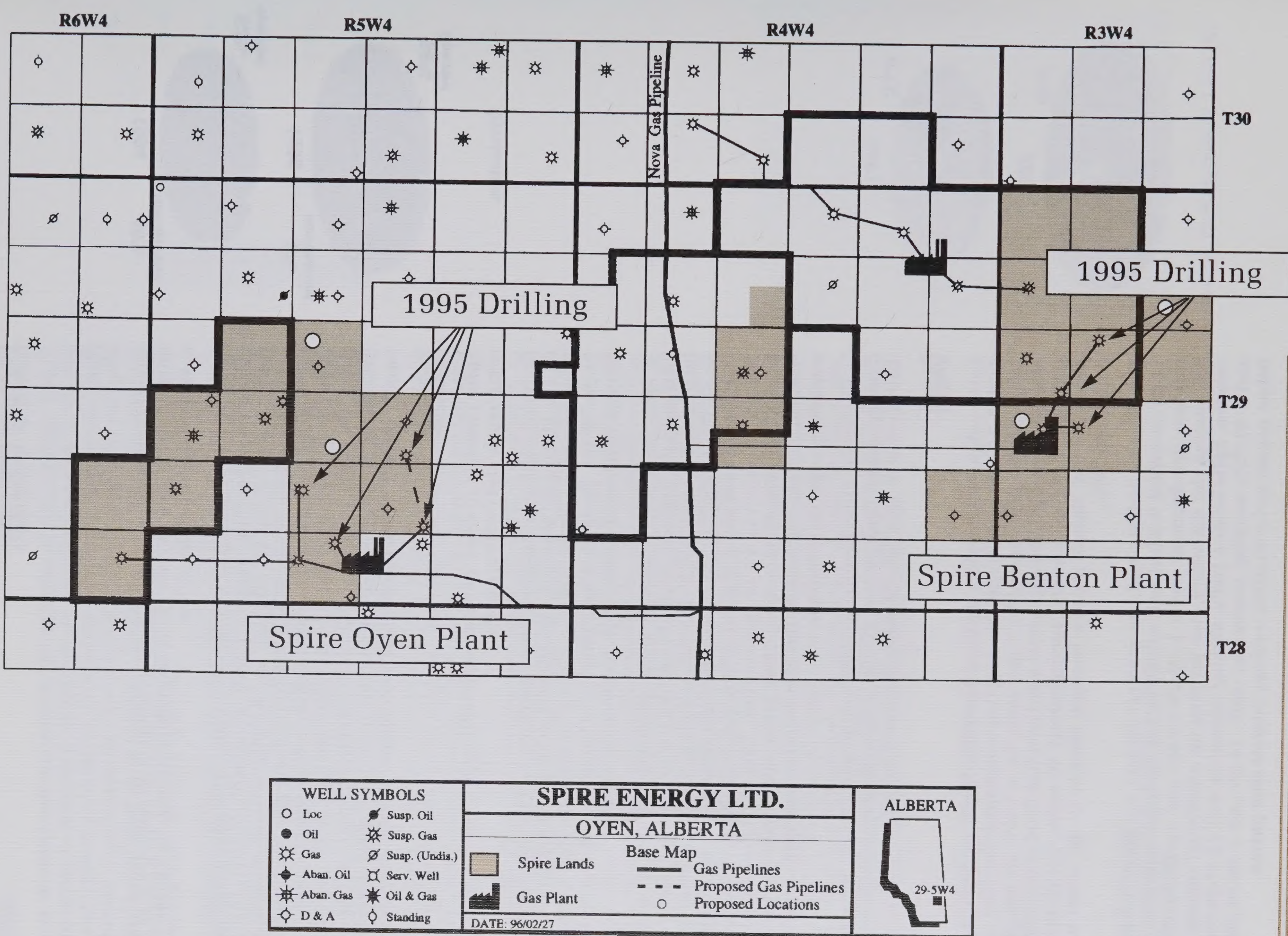
In May, Spire followed-up with the purchase of three gas units, a 72% working interest in the Oyen Gas Unit No. 4, a 7% working interest in the Oyen Gas Unit No. 3, and a 4% working interest in the North Oyen Gas Unit. Spire acquired the Oyen Gas Unit No. 4 for well 10-1-29-6W4M, a capped Viking gas well that was drilled in 1961 but never placed on production. This well was tied-in to Spire's Oyen Gas Plant in early 1996. Spire purchased the Oyen Gas Unit No. 3 to gain access to the unit facilities and own additional processing capacity in the area.

In December, Spire acquired a 100% working interest in one section of undeveloped land, Section 17-29-3W4M at Benton, to facilitate the drilling of well 12-17-29-3W4M as discussed below.

Drilling

Spire achieved a perfect drilling record at Oyen in 1995. Spire drilled 7 shallow wells in the area that penetrated the Gem sand (Belly River) and resulted in 7 gas wells for a 100% success rate. Four wells were drilled adjacent to our Oyen Gas Plant at 8-4-29-5W4 and three wells were drilled approximately 10 miles east in an area called Benton. Spire's average working interest in the seven wells drilled was 78%.

The Benton drilling had the greatest impact on Spire, with the 14-20-29-3W4M wildcat well drilled in July finding a new pool, and step-out development wells 1-19-29-3W4M and 12-17-29-3W4M delineating the discovery and proving-up additional natural gas reserves. Spire holds a 100% working interest in well 12-17-29-3W4M and a 93.75% working interest in wells 14-20 and 1-19-29-3W4M before payout and a 46.875% working interest after payout.


R6W4
R5W4
R4W4
R3W4
T30
T29
T28
Nova Gas Pipeline
1995 Drilling
1995 Drilling
Spire Oyen Plant
Spire Benton Plant
WELL SYMBOLS
Loc
Oil
Gas
Aban. Oil
Aban. Gas
D & A
Susp. Oil
Susp. Gas
Susp. (Undis.)
Serv. Well
Oil & Gas
Standing
SPIRE ENERGY LTD.
OYEN, ALBERTA
Base Map
Spire Lands
Gas Plant
Gas Pipelines
Proposed Gas Pipelines
Proposed Locations
DATE: 96/02/27
ALBERTA
29-5W4

1996 Activities

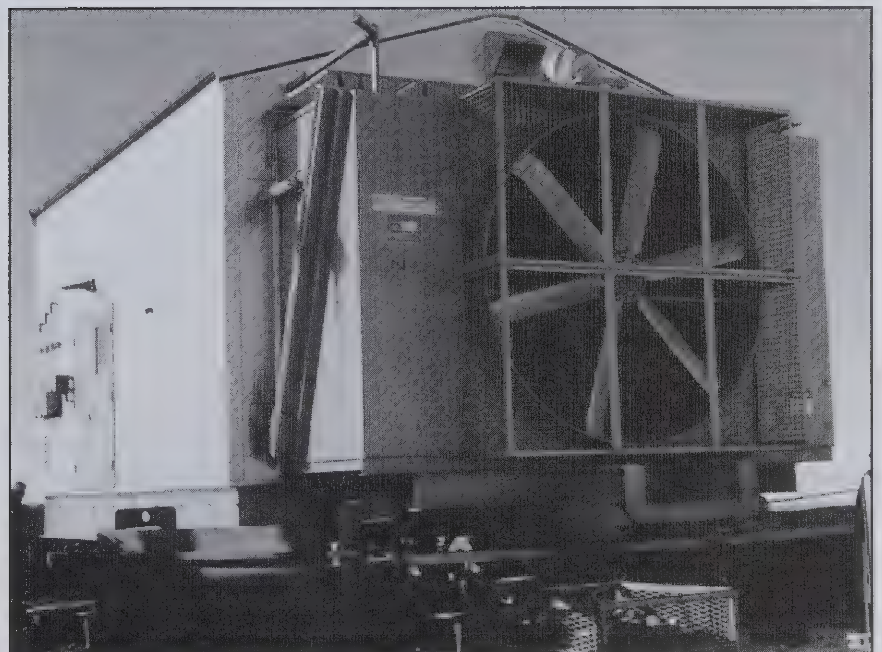
In the first quarter of 1996, Spire forged ahead with the tie-in of the three wells drilled at Benton in 1995. In March, 1996, Spire constructed a gas processing facility at Benton capable of handling 8.0 MMCFD of raw gas, together with 5 miles of pipeline to transport the gas to the Nova system. Spire holds a 100% working interest in the pipeline and processing facilities. The Benton plant was commissioned on March 27, 1996, bringing 6.0 MMCFD of gas on stream net to Spire's account.

Impressed by the performance of the Benton wells, Spire acquired three more sections of land to the south through an asset purchase and two more sections to the east at a Crown land sale in the first quarter of 1996. Spire plans to drill at least two more wells at Benton this year, and could drill as many as four more wells on the acreage.

On April 1, 1996, Spire tied-in capped Viking gas well 10-1-29-6W4 to our Oyen Compression Facility as discussed earlier. At the time of this writing the 10-1 well is producing 440 MCFD (320 MCFD net) of dry gas.

Spire also plans to drill two wells to the north of our Oyen Plant in Township 29, Range 5 W4M this year. The Gem or Belly River zone is the primary target but it is anticipated that at least one of these wells will be a deeper test to the Viking zone.

Spire is aggressively pursuing other acquisition candidates in the Oyen area that could provide further drilling opportunities for the Company. Spire's drilling success in the shallow Gem sand in 1995 has elevated our enthusiasm for the area.



Benton Compressor Installation, March, 1996

Abee

The Abee area is located 50 miles north of Edmonton, Alberta in Townships 61 to 63, Ranges 21 to 23W4M.

Acquisitions

Spire's 1995 activity in the Abee area revolved around a major acquisition. In December, 1995, Spire acquired an average 35% working interest in 18,720 gross acres of land at Abee and a corresponding 35% working interest in the Abee Gas Plant. This increased Spire's average working interest to 55% in 20,640 gross acres of land and 62% in the Plant. As the largest working interest owner in the facility, Spire assumed operatorship. Spire purchased the Abee assets for $700,000 in cash.

The acquisition at Abee was an integral part of our development strategy. Spire identified a number of drilling locations on the Abee lands more than a year ago, but was reluctant to develop the acreage until Spire had a significant working interest. With this condition satisfied, Spire is preparing an aggressive drilling program at Abee for 1996.

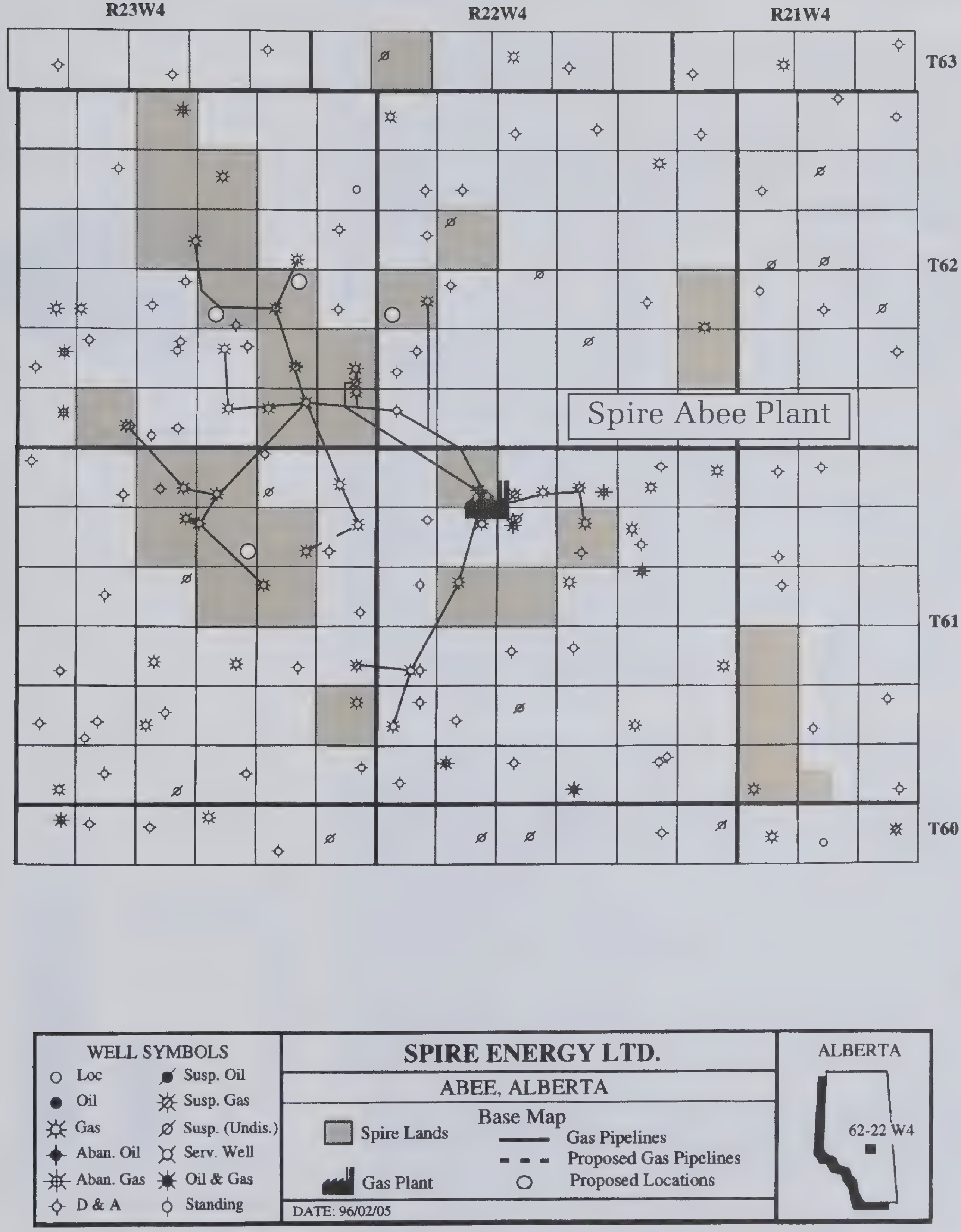
1996 Activities

The Abee area has experienced increased activity in recent months, with competitors purchasing land at premium prices and aggressively developing the area through drilling. This drilling program has increased the plant throughput at Abee from 2.4 MMCFD in November, 1995 to more than 10 MMCFD at present. This marks the first time in twenty years that the plant utilization has exceeded 90% of capacity.

Spire is in an ideal situation at Abee. Spire has an excellent land position and new drilling by our competitors in the area will prove up our acreage. As more wells are drilled, Spire's drilling risk is reduced. A well was drilled at 11-10-62-23W4 last year that is producing 2.5 MMCFD and Spire plans to offset the well to the north in Section 15-62-23W4 in May, 1996. Another well was drilled at 2-23-62-23W4M in March, 1996 that is producing 3.0 MMCFD and a third at 12-2-62-23W4 producing 1.5 MMCFD. Spire plans to shoot seismic through these successful wells on to our lands to see if the anomalies exist on Spire's acreage, before proceeding with drilling operations. Spire will shoot 20 miles of seismic at Abee in May, 1996 to high-grade eight potential drilling prospects. Spire expects to drill at least three wells at Abee this year.

As an added bonus, Spire owns the majority of the Abee Gas Plant and can custom process gas for our competitors. Spire is presently custom processing approximately 7 MMCFD of gas (gross) through the Abee plant. This custom revenue stream represents approximately $600,000 annually net to Spire.

1995 Capital


R23W4
R22W4
R21W4
T63
T62
T61
T60
Spire Abee Plant
WELL SYMBOLS
Loc
Oil
Gas
Aban. Oil
Aban. Gas
D & A
Susp. Oil
Susp. Gas
Susp. (Undis.)
Serv. Well
Oil & Gas
Standing
SPIRE ENERGY LTD.
ABEE, ALBERTA
Base Map
Spire Lands
Gas Plant
Gas Pipelines
Proposed Gas Pipelines
Proposed Locations
DATE: 96/02/05
ALBERTA
62-22 W4

Reserves

The following table details Spire's natural gas reserves and the net present value of future revenues at December 31, 1995, as evaluated by independent engineering consultants Sproule Associates Limited.

Reserves and Net Present Value at December 31, 1995[1]

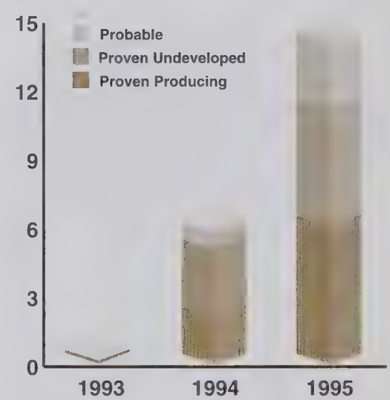
Natural Gas Reserves (MMCF)	Before Royalties	After Royalties
Proven Developed, Producing	5,945	4,060
Proven Undeveloped	5,186	3,995
Total, Proven	**11,131**	**8,055**
Probable	2,945	2,270
Total, Proven plus Probable	**14,076**	**10,325**

Estimated Present Value of Future Net Revenue Before Income Taxes ($ thousands)

	Undiscounted	10%	15%	20%
Proven Developed, Producing	6,986	4,481	3,798	3,302
Proven Undeveloped	6,282	4,793	4,273	3,848
Total, Proven	**13,268**	**9,274**	**8,071**	**7,150**
Probable	1,815	1,082	880	731
Total, Proven plus Probable	**15,083**	**10,356**	**8,951**	**7,881**
Processing Income	1,000	795	724	666
Total	**16,083**	**11,151**	**9,675**	**8,547**

(1) Estimated in independent engineering evaluation prepared by Sproule Associates Limited, dated February 26,1996. Probable values have been reduced by 50% to account for risk.

Spire recorded a dramatic increase in reserves in 1995, more than doubling its natural gas reserves in the past year. Spire's proven and probable reserves at year end totalled 14.1 BCF up from 5.7 BCF one year ago. In 1995, Spire replaced its production by 950%. At December 31, 1995, 79% of Spire's reserves were classified as proven. It is important to note that two thirds of the reserves classified as proven undeveloped at year end were converted to proven producing in the first quarter of 1996, with the tie-in of four wells at Benton and one in Oyen.



Natural Gas Reserves (BCF)

Spire spent $3.6 million to develop these new reserves, for a finding and onstream cost of $0.43/MCF. Spire's finding costs decreased from a respectable $0.45/MCF in 1994 to $0.43/MCF in 1995. Spire is proud to report finding costs that are among the lowest in the industry.

Sproule estimated the present value of future net revenue from Spire's reserves, before income taxes, at $9.7 million using a 15% discount rate. Spire more than doubled its net present value from the $4.0 million reported at year end 1994, despite the use of a lower natural gas price forecast in the 1995 evaluation. The 1995 engineering report assumed an average gas price of $1.36/MCF in 1996, $1.46/MCF in 1997, and $1.69/MCF in 1998, escalating at 5%/year thereafter.

Management Discussion and Analysis

Production and Product Prices

Natural gas production on a calendar day basis averaged 1963 MCFD in 1995, up fourfold from the 535 MCFD recorded in the previous year. Spire received an average wellhead price of $1.48/MCF for its gas in 1995, compared to $1.70/MCF in 1994. In 1995, 32% of Spire's gas was sold at a fixed price of $2.14/MCF (AECO), another 58% was sold under a netback pricing arrangement to TransCanada Gas Services, and the remaining 10% was sold on the spot market.

1995 Gas Markets

Revenue

Lower commodity prices in 1995 were offset by higher production volumes. In 1995, Spire reported increased revenues, net of royalties and transportation costs, of $898,037 up from $219,285 a year ago.

Expenses

Production expenses in 1995 totalled $328,581 or $0.46/MCF on a unit of production basis, compared to $0.45/MCF in 1994. Spire is fortunate to have cost conscious, technically competent field personnel operating our facilities and expects that these measures will translate to lower production expenses in 1996 and beyond.

General and administrative costs of $179,691 were incurred in 1995 compared to $93,982 in 1994. These costs have decreased on a unit of production basis from $0.48/MCF in 1994 to $0.25/MCF in 1995. Notwithstanding the fact that Spire will need more qualified people as the Company grows, Spire expects that general and administrative costs will continue to decline on a per unit basis as the Company raises its production levels.

Interest expense in 1995 increased to $112,928 from $44,280 recorded in 1994. Financing costs on the Company's loan facility at the Hongkong Bank of Canada and Spire's debt to major shareholder, Humboldt Capital Corporation, were responsible for most of the interest charges. As noted in the financial statements, Spire's long term debt was reduced to $287,000 at December 31, 1995, down from $1,149,000 a year ago.

Royalties in 1995 were $163,348, compared to $111,019 last year. Increased production levels translated to a higher royalty expense this year. On a unit of production basis, Spire's royalty level decreased as the Company was eligible for Alberta Royalty Tax Credits this year, and a higher proportion of production came from lands with lower royalty burdens.

Depletion and Depreciation

Spire's natural gas production in 1995 was 716,540 MCF. The Company incurred a depletion expense of $316,000 in 1995, up from $147,750 in 1994. The depletion rate in 1995 decreased to $0.44/MCF from $0.69/MCF in 1994, a function of the substantial reserve additions in the past year.

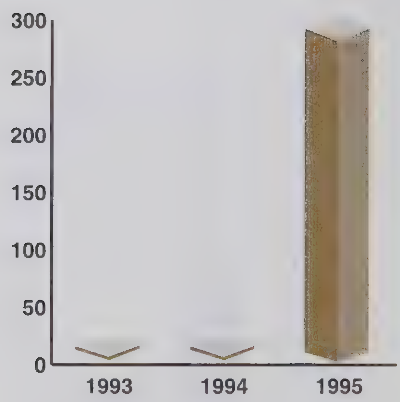
Earnings and Funds Flow From Operations

Spire realized a small loss of $50,680 in the year ended December 31, 1995, corresponding to $0.01 per common share. This is an improvement over the loss of $154,013 or $0.04 per common share in 1994.

Cash flow improved as well, escalating to $276,837 or $0.04 per common share. Again this is a marked improvement over the negative cash flow of $6,263 reported a year ago.

Capital Expenditures

Spire's 1995 capital expenditures totalled $2.1 million, a decrease of $0.5 million from the $2.6 million spent in 1994. In 1995, the Corporation spent $0.9 million on acquisitions, $0.9 million on drilling, $0.1 million on geophysical data and $0.2 million on direct exploration costs pertaining to the petroleum and natural gas properties.



Funds Flow From Operations ($M)

AUDITORS' REPORT

April 5, 1996.

To the Shareholders of
Spire Energy Ltd.

We have audited the balance sheet of Spire Energy Ltd. as at December 31, 1995 and 1994 and the statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Price Waterhouse

Chartered Accountants
Calgary, Alberta, Canada

BALANCE SHEET

	December 31 1995	December 31 1994
Assets		
Current		
Cash	$ -	$ 79,850
Accounts receivable	290,832	106,227
Prepaid expenses	22,254	15,448
	313,086	201,525
Property and equipment (Note 2)	4,272,008	2,467,253
	$ 4,585,094	$ 2,668,778
Liabilities		
Current		
Cheques issued in excess of bank balance	$ 219,852	$ -
Accounts payable	856,324	318,601
Current portion of long-term debt (Note 3)	287,000	345,994
	1,363,176	664,595
Long-term debt (Note 3)	-	803,006
Deferred income taxes	300,925	-
Equity		
Share capital (Note 4)		
Common shares	1,774,986	1,391,990
Preferred shares	1,387,500	-
Deficit	(241,493)	(190,813)
	2,920,993	1,201,177
	$ 4,585,094	$ 2,668,778

Approved by the Board

______________________ Director ______________________ Director

Statement of Operations and Deficit

	Year ended December 31 1995	1994
Revenues		
Gas sales and other	$1,061,385	$ 331,004
Less: Royalties	(163,348)	(111,019)
	898,037	219,985
Expenses		
Operating	328,581	87,986
General and administrative	179,691	93,982
Interest	112,928	44,280
Depletion and depreciation	327,517	147,750
	948,717	373,998
Loss for the year	(50,680)	(154,013)
Deficit, beginning of the year	(190,813)	(36,800)
Deficit, end of the year	$ (241,493)	$ (190,813)
Basic loss per common share	$ 0.01	$ 0.04
Pro-forma loss per common share (Note 6)	$ 0.01	

Statement of Changes in Financial Position

	Year ended December 31 1995	1994
Cash (used in) provided by operating activities		
Loss for the year	$ (50,680)	$ (154,013)
Items not affecting cash		
Depletion and depreciation	327,517	147,750
Funds from operations	276,837	(6,263)
Increase in non-cash working capital excluding changes in the current portion of long-term debt	346,312	153,771
	623,149	147,508
Cash (used in) provided by investing activities		
Increase in property and equipment	(2,132,272)	(2,568,057)
Deferred charges	-	59,025
	(2,132,272)	(2,509,032)
Cash (used in) provided by financing activities		
Long-term debt	(862,000)	1,149,000
Share capital issued, net		
Common shares	683,921	933,390
Preferred shares	1,387,500	-
	1,209,421	2,082,390
Decrease in cash	(299,702)	(279,134)
Cash, beginning of the year	79,850	358,984
Cash (bank overdraft), end of the year	$ (219,852)	$ 79,850
Funds from operations, per common share	$ 0.04	$ 0.00

Notes to Financial Statements

December 31, 1995

1. Accounting policy

Petroleum and natural gas operations

The Corporation follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized. Costs include land acquisition costs, geological and geophysical costs, carrying charges on non-productive properties, costs of drilling both productive and non-productive wells and related overhead charges. The capitalized costs are depleted using the composite unit-of-production method based upon estimated proved reserves before royalties. In calculating depletion, crude oil reserves are converted to equivalent units of natural gas based on the relative energy content of each product.

The capitalized costs less accumulated depletion and depreciation and deferred taxes and the provision for site restoration costs are limited to an amount equal to the estimated future net revenues from proved reserves based on current prices and costs, plus the lower of cost and estimated fair value of unproved properties, less estimated future general and administrative expenses, financing costs and income taxes. Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

A portion of the Corporation's exploration and production activities are conducted with others and the accounts reflect the Corporation's proportionate interest in such activities.

Depreciation of office furniture and equipment is provided using the straight-line method based on estimated useful lives.

2. Property and equipment

	1995			1994
	Cost	Accumulated depletion and depreciation	Net book value	Net book value
Petroleum and natural gas properties	$4,698,468	$451,822	$4,246,646	$2,430,648
Office furniture and equipment	48,806	23,444	25,362	36,605
	$4,747,274	$475,266	$4,272,008	$2,467,253

Management has estimated the salvage value of the equipment to be in excess of the abandonment costs of the petroleum and natural gas properties and, accordingly, no provision has been recorded in the accounts for future removal and site restoration costs.

In applying the full cost ceiling test, a natural gas price of $1.40/mcf was used.

3. Long-term debt

(a) The Corporation has an unused revolving production loan facility for a maximum of $600,000 and two non-revolving demand production loan facilities (the "non-revolving production

loan facilities") of $230,000 and $221,000 with a major Canadian chartered bank. The $230,000 non-revolving production loan facility of which $145,000 is outstanding as at December 31, 1995, is to be repaid by September 1, 1996 with monthly installments of $17,000. The $221,000 non-revolving production loan facility of which $142,000 is outstanding as at December 31, 1995, is to be repaid by September 1, 1996 with monthly installments of $15,800. All of the loan facilities bear interest at the bank's prime rate plus 1% per annum on the outstanding principal amount. As security for the loan facilities, the Corporation has provided a first fixed and floating charge debenture over all of the Corporation's assets, a general security agreement and a general assignment of book debts.

(b) At December 31, 1994, the Corporation had a $500,000 loan from Humboldt Capital Corporation, a major shareholder in the Corporation. The loan bears interest at prime plus 1% and was classified as long-term. This loan was repaid in 1995.

	December 31	
	1995	1994
Loan from Humboldt Capital Corporation	$ -	$ 500,000
Non-revolving production loan facilities	287,000	649,000
	287,000	1,149,000
Less: Current portion	(287,000)	(345,994)
	$ -	$ 803,006

4. **Share capital**

Authorized

Unlimited number of first preferred shares
Unlimited number of second preferred shares
Unlimited number of common voting shares without nominal or par value

Issued

	Number of shares	Amount
Common shares		
Balance, December 31, 1993	4,000,000	$ 458,600
Issued for cash pursuant to:		
Exchange Offering Prospectus	2,000,000	708,390
Agent's option	100,000	20,000
Flow-through share agreement	500,000	205,000
Balance, December 31, 1994	6,600,000	1,391,990
Issued for cash pursuant to:		
Flow-through share agreements, net of expenses	1,312,500	382,996
Balance, December 31, 1995	7,912,500	$ 1,774,986
First preferred shares, "Series A"		
Balance December 31, 1994 and 1993	-	$ -
Issued for cash	1,437,500	1,387,500
Balance, December 31, 1995	1,437,500	$ 1,387,500

(a) The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

On December 1, 1995, the Corporation issued 1,437,500 first preferred shares, "Series A", for net proceeds of $1,387,500. The holders of such shares are entitled to receive cumulative preferential

cash dividends at a rate per annum equal to 6% of the stated value, payable in arrears on the first days of January, April, July and October.

The holders of the first preferred shares, "Series A", have the right, at the holder's option, to convert such shares into common shares at a rate of 1 preferred share for 2.22 common shares. The Corporation shall have the right to redeem at any time on or after November 30, 2000, or, if the weighted average price of the common shares on the Alberta Stock Exchange for a period of 30 consecutive trading days is equal to or greater than 150% of the conversion price ($0.45), all of the outstanding first preferred shares, "Series A" at a price per share equal to the stated value. (See Note 6.)

(b) Pursuant to the Exchange Offering Prospectus, dated November 28, 1994, 1,000,000 shares are reserved for issuance upon the exercise of warrants and 300,000 shares are reserved for the agent's (Yorkton Securities Inc.) option (at a price of $0.40 and expiry date of February 28, 1996). At December 31, 1995, there were 2,000,000 warrants outstanding with exercise terms of 2 warrants and $0.50 for 1 common share. These warrants expire on February 15, 1996. (See Note 6.)

As well, as a result of the December 1, 1995 subscription agreement, there were 1,250,000 share purchase warrants issued each of which entitles the holder to acquire one common share of the Corporation to be issued on a flow-through basis at a price of $0.70 per share on or before December 1, 1997.

(c) The Corporation has established a stock option plan for the benefit of directors and officers of the Corporation. On September 30, 1993, options were granted for an aggregate 195,000 common shares and may be exercised at a price of $0.20 per share until September 30, 1998.

5. Income taxes

The Corporation has exploration and development expenses and capital cost allowances available for deduction against future taxable income at December 31, 1995 as follows:

Canadian oil and gas property expense	$ 2,044,000
Canadian development expense	367,000
Canadian exploration expense	458,000
Undepreciated capital cost	946,000
	$ 3,815,000

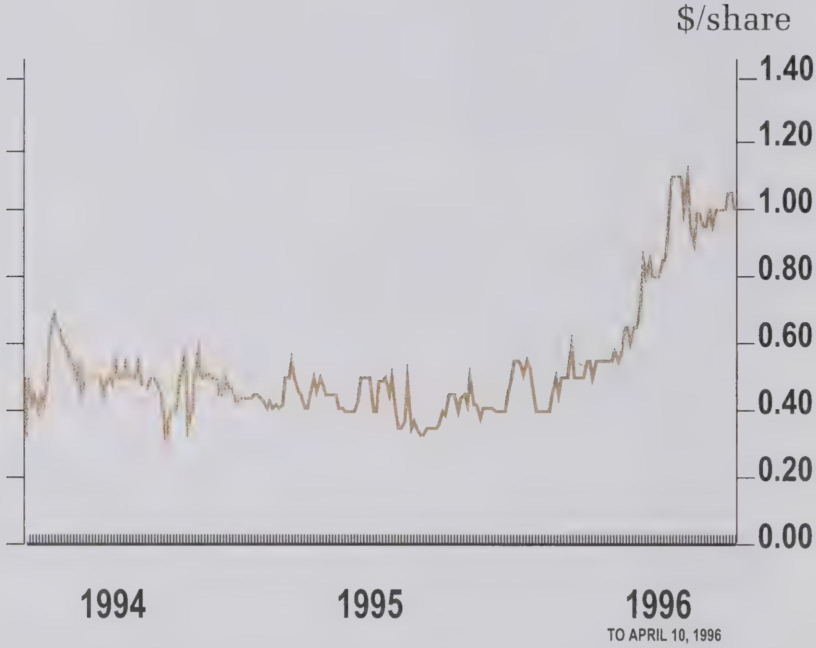
6. Subsequent events

(a) On January 26, 1996, Yorkton Securities Inc. exercised their option to acquire 300,000 common shares for total consideration of $120,000.

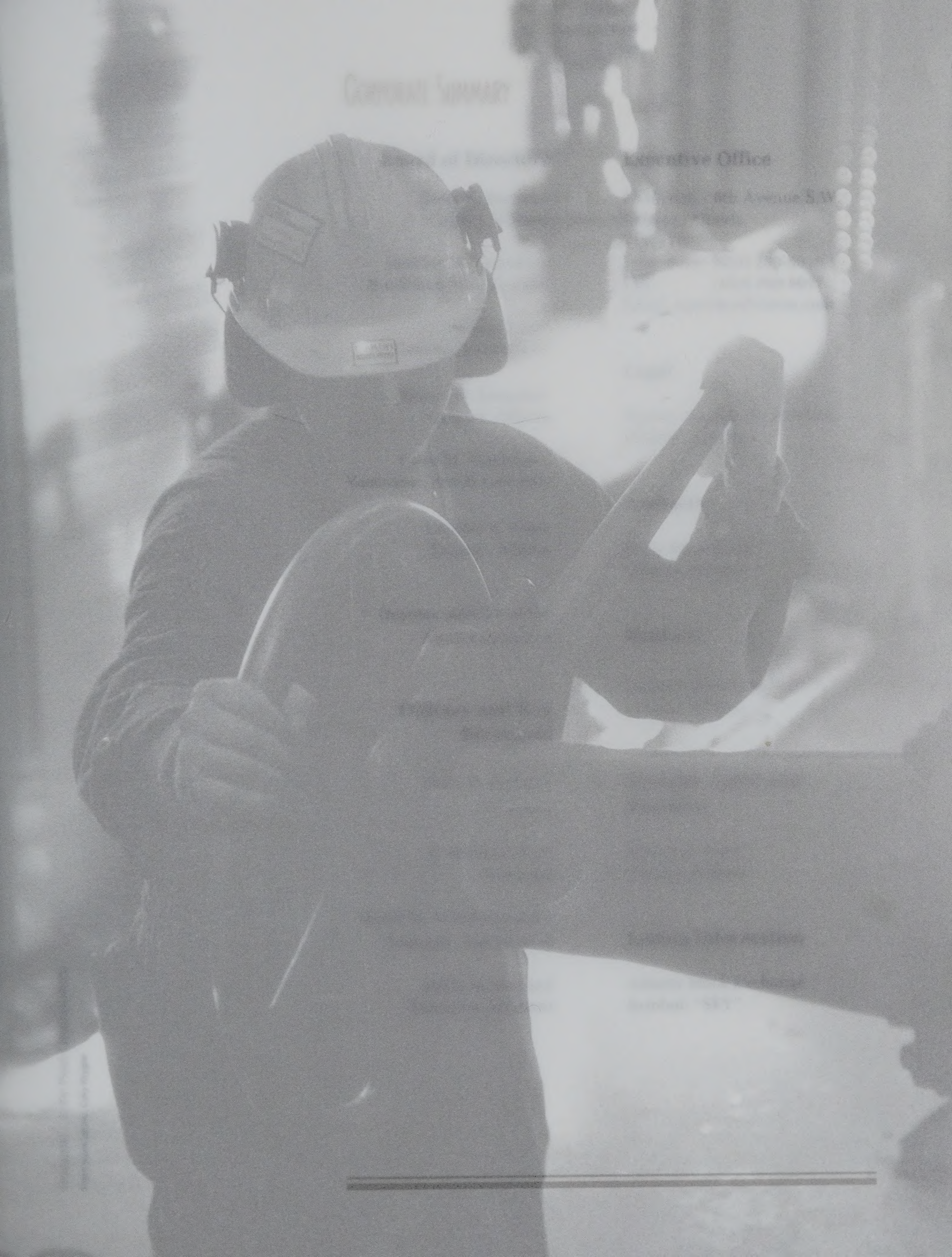
(b) On February 15, 1996, 1,980,000 warrants were exercised for the issue of 990,000 common shares for total consideration of $495,000.

(c) On March 26, 1996, the holders of first preferred shares, series A exercised their options to covert all of the outstanding 1,437,500 first preferred shares, series A into 3,194,445 common shares of the Corporation.

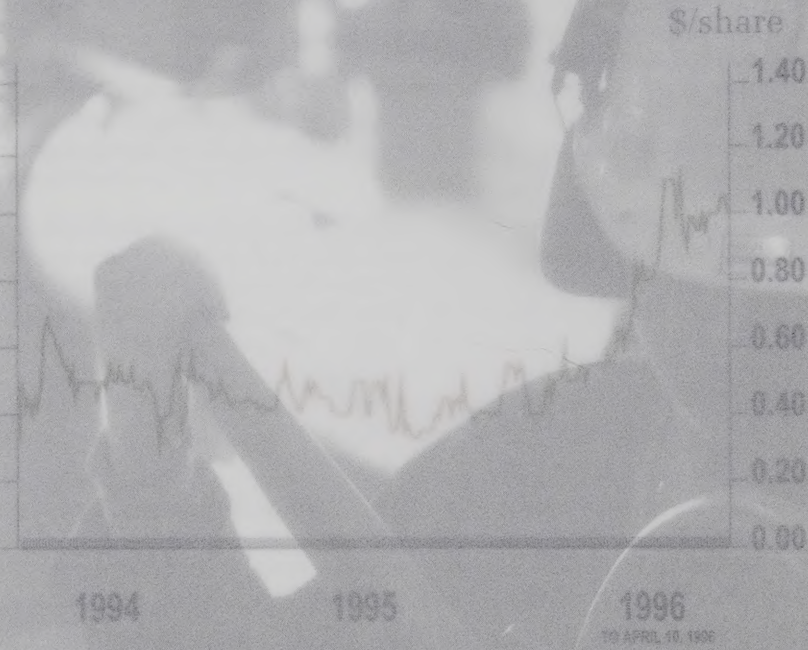
SHARE TRADING HISTORY



SPIRE ENERGY LTD.



Share Trading History



SPIRE ENERGY LTD.

Corporate Summary

Board of Directors

Gerry R. Bartman
Calgary, Alberta

Geoffrey A. Cumming
Auckland, New Zealand

Heinz Isler*
Geneva, Switzerland

Robert W. Lamond*
Calgary, Alberta

Clive M. Stockdale*
Vancouver, British Columbia

Charles A. Teare
Calgary, Alberta

* Denotes member of the Audit Committee

Officers and Key Personnel

Gerry R. Bartman
President

C. Steven Cohen
Secretary

David M. Mombourquette
Manager, Engineering

Marla Sutherland
Executive Assistant

Executive Office

#810, 633 – 6th Avenue S.W.
Calgary, Alberta
T2P 2Y5
Telephone: (403) 269-9016
Fax: (403) 269-9017
Email: spire@cadvision.com

Legal

Burnet, Duckworth & Palmer
Calgary, Alberta

Auditors

Price Waterhouse
Calgary, Alberta

Bankers

Toronto Dominion Bank
Calgary, Alberta

Transfer Agent and Registrar

Montreal Trust
Calgary, Alberta

Listing Information

Alberta Stock Exchange
Symbol: "SEY"

Production: ...to the Moon Communications
Front cover photo: Cory Krygier

SPIRE
ENERGY LTD.

Suite 810, 633 6 Avenue SW
Calgary, Alberta
T2P 2Y5

Printed in Canada